

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 CIAE-00 INR-10 NSAE-00 TRSE-00  
OMB-01 AGRE-00 EA-10 /042 W  
-----022371 301712Z /43  
R 301643Z AUG 78  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 6232  
INFO USDOC WASHDC  
AMCONSUL LENINGRAD

C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 20852

USDOC FOR BEWT

E.O. 11652: GDS  
TAGS: ECON, EEWT, EFIN, ENRG, UR  
SUBJECT: STATE PLANNERS' COMMENTS ON SOVIET TRADE  
AND ECONOMY

SUMMARY: TWO SOVIET STATE PLANNERS (A) PLAY DOWN  
IMPORTANCE OF SOVIET FOREIGN TRADE REFORM, ASSERTING  
CONTINUED PREEMINENCE OF GOSPLAN IN MATTERS OF FOREIGN  
TRADE, (B) SEE LEVEL OF SOVIET-AMERICAN TRADE IN 1978  
AS WELL ABOVE 1977, (C) APPEAR TO ENDORSE AN "ADMINIS-  
TRATIVE" REFORM AS BEST APPROACH TO IMPROVING SOVIET  
ECONOMIC PERFORMANCE, (D) REITERATE THAT ONLY LACK  
OF ALTERNATIVE SOURCES KEEPS SOVIET UNION EATING  
AMERICAN GRAIN AND (E) HOLD THE LINE THAT THERE WILL  
BE NO SERIOUS SOVIET PETROLEUM SHORTFALLS. END SUMMARY.

1. E/C COUNSELOR AND COMATT HAD EXTENDED DISCUSSION  
AUGUST 25 WITH MORDVINOV AND DVORETS OF THE  
STATE PLANNING COMMITTEE (GOSPLAN). MORDVINOV  
ACCURATELY DESCRIBED MEETING AS "EXCHANGE OF VIEWS" AS  
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OPPOSED TO "EXCHANGE OF INFORMATION." HOWEVER, LIMITED  
NUMBER OF INTERESTING POINTS IN FACT EMERGED.

2. IN RESPONSE TO QUESTIONS ON REORGANIZATION OF  
OVERALL FOREIGN TRADE STRUCTURE, GOSPLAN REPS MADE  
CLEAR THAT (A) "THERE WILL ALWAYS BE A GOSPLAN" WHICH  
WILL DECIDE BROAD POLICY AND ESTABLISH LIMITS ON

FOREIGN TRADE, AND (B) REORGANIZATION OF FOREIGN TRADING ORGANIZATIONS (FTO'S), AND OF MINISTRY OF FOREIGN TRADE FOR THAT MATTER, IS DOWN ON A LEVEL OF DETAIL AND OF RELATIVE INSIGNIFICANCE WHICH IS REALLY OF NO INTEREST TO GOSPLAN. SIGNIFICANTLY, MORDVINOV SPECIFICALLY REJECTED WORD "REFORM" AS DESCRIPTIVE OF PRESENT CHANGES. COMMENT: ABOVE VIEWS, WHATEVER THEIR ACCURACY, APPARENTLY GIVE STRONG REFLECTION TO CONTINUING JEALOUSY AND COMPETITION AMONG SOVIET ORGANIZATIONS INVOLVED IS FOREIGN TRADE AND CONTRAST WITH VIEWS OF SUSHKOV, SHERSHNEV AND OTHERS WHICH WE HAVE PREVIOUSLY REPORTED. END COMHFT.

3. WHEN COMATT MENTIONED THAT USCO NOW SEES BOTH TRADE AND CONTRACT SIGKUNGS THIS YEAR RUNNING AHEAD OF 1977ON AND THAT EMBAS SY ANTICIPATES YEAR-END FIX RES WILL IN FACT BE WELL AHEAD OF PREVIOUS YEAR, DVORETS FIRST HESITATED, THEN SAID "YES, GOSPLAN EXPECTS 1978 LEVEL OF U.S. EXPORTS TO USSR IN NON-AGRICULTURAL PRODUCTS WILL BE UP BY 200 MILLION RUBLES (300 MILLION DOLLARS) OVER 1977. COMMENT: WE IN FACT DO ESTIMATE THAT 1978 TRADE WILL BE AT LEAST AS HIGH AS THAT OF 1977, AND PROBABLY SIGNIFICANTLY HIGHER. HOWEVER, AN INCREASE OF 300 MILLION DOLLARS WOULD EVEN EXCEED ALL-TIME HIGH 1976 FIGURES. WE VIEW SUCH DEVELOPMENT AS HIGHLY UNLIKELY. CONFIDENTIAL

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END COMMENT.

4. DISCUSSING CRITICISM IN SOVIET PRESS OF DOMESTIC ECONOMIC PERFORMANCE, MORDVINOV APPEARED TO COME DOWN SQUARELY ON SIDE OF "ADMINISTRATIVE" REFORMERS. HE ARGUED THAT SOLUTION TO PRODUCTION PROBLEMS LIES IN HAVING ENTERPRISES CHARGED WITH OUTPUT OF SPECIFIC NUMBERS OF GOODS, WHETHER PROFITABLE OR NOT, AND THEN BE HELD STRICTLY ACCOUNTABLE FOR ITS ASSIGNED PLAN. HE REFERRED REPEATEDLY TO VALUE OF COMPUTERS IN DECIDING WHAT SHOULD BE PRODUCED. MORDVINOV ALSO APPEARED TO SEE NO DIFFICULTY IN RELATING SOVIET PRODUCTION COSTS TO FOREIGN PRODUCTION COSTS IN ESTABLISHING A MORE RATIONAL PARTICIPATION IN INTERNATIONAL DIVISION OF LABOR. ALTHOUGH HE AT FIRST APPEARED TO BE SAYING THAT OFFICIAL EXCHANGE RATE OF RUBLE WAS SUFFICIENT FOR SUCH A CALCULATION, MORDVINOV CONCEDED THAT SOVIET OFFICIAL WORK WITH A COEFFICIENT WHICH IS NOT IDENTICAL TO THE OFFICIAL RATE OF THE RUBLE. HE DECLINED TO SAY WHAT THE COEFFICIENT IS. (THE AMBIGUITIES AROUND THIS POINT WERE LEFT BY MORDVINOV; IT PROBABLY IS NOT HIS REAL JOB TO THINK ABOUT SUCH THINGS.)

5. MORDVINOV AND DVORETS (WHO SEEMED IN UNCHARACTERISTICALLY SOUR MOOD) COMPLAINED OF U.S. TRADE RESTRICTIONS FREQUENTLY. MORDVINOV RELATED DISCUSSION WITH CANADIAN FOREIGN MINISTER AND A RANKING AUSTRALIAN OFFICIAL IN WHICH HE STATED THAT HE HAD ASKED IF THEY COULD NOT REPLACE U.S. AS EXPORTER OF GRAIN TO USSR. MORDVINOV CONCEDED THAT THE TWO HAD EXPLAINED CANADA AND AUSTRALIA ARE PRESENTLY NOT ABLE TO REPLACE U.S. AS FEED GRAIN EXPORTER TO USSR UNDER PRESENT CIRCUMSTANCES. MORDVINOV SAID THAT HE IS URGING AN INCREASE IN INVESTMENT IN SOVIET AGRICULTURE (DVORETS HAS SAID AS MUCH BEFORE),

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C O N F I D E N T I A L SECTION 02 OF 02 MOSCOW 20852

OBVIOUSLY IN ORDER TO STEM THE FLOW OF SOVIET DOLLARS TO THE U.S., BUT HE CONCEDED THAT THIS WAS ONLY ONE "MODEL" FOR THE ELEVENTH FIVE YEAR PLAN, AND THAT THERE ARE OTHERS IN EXISTENCE.

6. BOTH STATE PLANNERS RESISTED STOLIDLY COUNSELOR'S ATTEMPTS TO ELICIT ANY DEVIATION FROM CONSISTENT MOSCOW LINE THAT SOVIET UNION FACES NO SERIOUS PETROLEUM SHORT-FALLS IN EARLY EIGHTIES. GARRISON

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